

Report of
the
Working Group on Co-operative Policy



GOVERNMENT OF INDIA
MINISTRY OF
COMMUNITY DEVELOPMENT & CO-OPERATION
(DEPARTMENT OF CO-OPERATION)

NEW DELHI
June, 1959.

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INTRODUCTION.

1.1 A Working Group has been constituted by the Ministry of Food & Agriculture, for considering the administrative and organizational arrangements required for implementing the resolution of the National Development Council on Co-operative Policy (Appendix) adopted on November 9, 1958. The Group consists of the following members :

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Secretary, Department
of Agriculture, Ministry
of Food & Agriculture. **Chairman**
2. Shri M.R. Bhide, ICS*,
Adviser,
Programme Administration,
Planning Commission.
3. Shri Tarlok Singh, ICS,
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4. Shri J. J. Anjaria,
Chief of Economic Division,
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5. Shri B. Venkatappiah,
Deputy Governor,
Reserve Bank of India
6. Shri B.P. Patel, ICS,
Managing Director,
State Bank of India.
7. Shri G. D. Goswami, IAS,
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Ministry of Community Development
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8. Shri K.L. Ghei,
Joint Secretary,
Ministry of Finance,
(Dept. of Expenditure)

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9. Shri B.P. Bagchi, ICS,
Joint Secretary,
Dept. of Food, Ministry
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10. Shri M. V. Rangachary,
Special Secretary,
Ministry of Finance.
11. Shri R. H. Chishti, IAS,
Co-operation Commissioner.
12. Shri M. P. Bhargava,
Additional Co-operation Commissioner.

1.2 Meetings of the Group were held on the 18th and 19th November, 8th and 9th December, 16th and 17th December, 1958, 14th to 16th January and 27th to 29th January, 1959. Apart from the discussions at these meetings, there were a number of informal discussions between various members of the Group at Delhi and Bombay.

2. OBJECTIVES OF THE RESOLUTION.

2.1 The main considerations and objectives underlying the resolution are as follows :

- (i) The development of the co-operative movement should be directed towards intensifying agricultural production, mobilising local man-power and resources, and, in general terms, rebuilding the rural economy.
- (ii) For this purpose, co-operatives should be organized on the basis of the village community as the primary unit and co-operation should be developed as a people's movement. It should bring within its fold all villages and all rural families within as short a period as possible and, at any rate, not later than the end of the Third Five Year Plan.
- (iii) Each village co-operative society should draw up a comprehensive programme for increased agricultural production in the village and with such a programme the grant of credit should be closely linked.
- (iv) To achieve the objectives of increased agricultural production and the rebuilding of the rural economy, rural co-operatives should undertake various specific measures such as the full use of irrigation facilities available and application of im-

proved agricultural techniques. Other programmes of importance for the rural economy such as the promotion of animal husbandry and village industries should also be undertaken by the co-operatives.

- (v) For the programmes of increased agricultural production, it will be necessary to provide credit on a larger scale than formerly envisaged and the targets laid down in the Second Five Year Plan should therefore, be enhanced. Moreover, co-operative credit should be made available on a liberal scale and on terms suitable to all farmers, especially those not able to obtain credit under ordinary 'commercial banking principles'.
- (vi) Co-operative Marketing should be linked with credit and arrangements should be made to collect the surplus agricultural produce from farmers through village co-operatives and marketing societies at assured prices. This would ensure larger supplies of foodgrains for meeting the needs of urban areas as also larger credit facilities for the rural areas. The programme of co-operative processing, especially of food crops, should be enlarged.
- (vii) Training programme on a large scale should be organized for village leaders to serve on co-operatives and for young men in rural areas to work as Secretaries of village institutions. The Co-operative Departments of States should be strengthened.
- (viii) Co-operative Law and rules and the present procedure for registration of co-operatives, grant of loans by them, and their management should be made simpler. They should be such as will help and not impede the development of co-operation as a popular movement.
- (ix) Taccavi loans and other facilities should be channelled through co-operatives. This and similar measures will induce villagers to join co-operatives.

3. SIZE OF THE PRIMARY RURAL CO-OPERATIVE

3.1 The Resolution indicates that a Primary Rural Co-operative should be organized on the basis of the village community as the primary unit and that the members should have intimate knowledge of one another as well as a sense of mutual obligation and concern for the rehabilitation of the weaker sections of the community. It is suggested in the Resolu-

tion that where villages are too small, they may, with the consent of the communities concerned, be formed into larger groups with a population of about 1,000. The resolution also contemplates that, by and large, the Co-operative and the Panchayat would serve identical areas. We consider this to mean that ordinarily a primary society will serve one revenue village, including its hamlets, and that where such villages are too small, they may be grouped so as to include a population of about 1,000 under the co-operative. There may, however, occur cases in which two or more villages within a fairly compact area are grouped together, thereby covering a population of slightly more than 1,000. It may also be the case that such an area includes more than one Panchayat. Further, the actual jurisdiction of a village co-operative and that of the Panchayat, as they exist today, may not be identical and a certain amount of adjustment between their respective boundaries may be required. The organization of co-operatives, should not however, be stopped anywhere merely because the panchayat area is about to undergo reorganization.

4. FUNCTIONS OF THE VILLAGE CO-OPERATIVE

4. 1 The Resolution has, in addition to the general indication that the village co-operative should assume responsibility and initiative for social and economic development at the village level, specifically outlined the various functions which it is expected to undertake. These include:—

- (a) the provision of credit in close co-ordination with the production programme for the village, and assistance in particular to those who do not obtain credit under ordinary commercial banking principles;
- (b) linking of credit with marketing;
- (c) the full use of irrigation facilities available including undertaking the responsibility for maintaining minor irrigation works and for excavating and maintaining field channels;
- (d) making adequate arrangements in the village for producing seeds and organic and green manures;
- (e) arranging for the distribution of fertilizers received for the village and their supply on credit to farmers;
- (f) promotion of animal husbandry and other programmes supplementing agriculture, including village industries;
- (g) application of improved techniques such as dry farming, contour bunding, soil conservation, etc.; and

(h) consolidation of holdings and other works of benefit to the community.

The village co-operative would include within itself all the families living in the village, whether they are cultivators, agricultural labourers, artisans or other groups (e. g. fishermen) and not only provide them credit and certain essential requirements such as agricultural requisites or consumer goods but also undertake a large number of other economic functions.

4.2 These functions cover a wide field of activity and naturally it will take some time before all of them can be successfully undertaken. There are however certain items which can be taken up immediately provided the necessary enthusiasm is created and the necessary administrative arrangements are made. These items also do not require finance on a large scale. Supply of good seeds and fertilizers and production of organic manures in the village itself fall within this category. A number of seed farms have been organized and more will be coming up in the course of the next two or three years. Seed from these farms is multiplied through the agency of registered growers. This, however, is not enough. The seed requirements of the country are very large and can be adequately met only if every village produces the seed it requires. Seed should be obtained from Government farms and registered growers and multiplied at the village level. For this purpose the society must select suitable progressive farmers in the village and they should be given every assistance in growing good seed. The seed produced by them should be purchased by the society and distributed to farmers. The finance required for producing such seed will not be much. The seed purchased should be distributed to members in the form of loans in kind to be recovered after the harvest.

4.3 Chemical fertilizers have become popular and the demand for them is increasing. Societies should arrange to get them from marketing societies or other organizations which are selling them as the agents of Government. At present there is an acute shortage of chemical fertilizers and the distribution of the quantities available must therefore be made on a rational basis. In doing so, priority should be given to small farmers who without resources of their own cannot get them from the open market.

4.4 Every society should organize the production of organic manures locally through various means, e.g. green manuring, compost, night soil, etc. A comprehensive programme for this should be prepared and implemented through its members. The finance required for this is generally very little.

4.5 The highest priority for credit for the above purposes should be given. Other items requiring credit will naturally have to wait till more funds are available. Side by side with the provision of credit it is essential that effective steps for linking credit with marketing through marketing societies at the market level are taken. Unless this is done, prompt repayment of loans to Central Banks will not be possible and that will adversely affect the availability of further credit.

5. GENERAL PRINCIPLES FOR DEVELOPMENT OF RURAL CO-OPERATIVES

5.1 We have carefully studied the policy regarding the development of co-operation as enunciated in the Second Five Year Plan and for reference quote—

“In a country whose economic structure has its roots in the village, co-operation is something more than a series of activities organised on co-operative lines; basically its purpose is to evolve a system of co-operative community organisation which touches upon all aspects of life”

This can be supplemented by other quotations but it is not really necessary to do so. Broadly speaking, the policy is to re-organise rural economy to the maximum possible extent on the basis of the village as the primary unit. The Second Five Year Plan fully recognised that village organisations would have to be supplemented by organisations at higher levels both in respect of specific purposes and specific interests. For example, it provided for marketing of agricultural produce through a marketing society for a group of villages based on the marketing centre. The Plan also provided for the organisation of a number of large-sized credit societies serving groups of villages, for organisation of new village societies and revitalisation of existing village societies on a large scale. A provision for industrial co-operative societies for a group of villages to serve the interests of artisans and craftsmen also was made. State participation in share capital at various levels was also provided for. It will thus be clear that the Plan provided for co-operative effort in a variety of ways and that there was no rigidity of approach in the mode and manner in which these efforts were to be made.

5.2 In this connection, we consider it necessary to briefly mention the basic principles on which co-operative institutions have been organised in many democratic countries. A co-operative institution is not only a service or developmental agency or an instrument of social reform, it is also a voluntary association under a specific law which converts that associ-

ution into a corporate entity. As a corporate body, the society has assets and liabilities; it undertakes business and enters into financial transactions; it has legal rights and obligations not only as between its members but externally vis-a-vis outside bodies e. g. a bank which lends to it. It is, therefore, a well-established co-operative principle that the functions undertaken by any one co-operative unit should be based on a community of interests shared by a large majority of the members constituting that unit. The emphasis has to be on the provision of such services as are generally required by almost all members. Where any other activities are contemplated, the question arises whether they involve an extent of financial investment or a degree of financial risk such as are likely to hamper or jeopardise the successful performance of the more basic and general functions of the particular type of society. If the answer is in the affirmative, it follows that these other activities should normally be entrusted so far as the financial and legal aspects are concerned to another co-operative unit, though of course both units will work in the closest co-ordination.

5.3 We have considered if the National Development Council Resolution envisages that the functions enumerated in paragraph 4 above have necessarily to be undertaken by a single all-purpose village society. If the impression that it does so is correct, it will mean that the society will be responsible not only for the provision of credit, the supply of agricultural and other production requirements and of consumer goods to members and the marketing of produce through a co-operative marketing society but also various other measures of importance for increased production and employment. It may in its corporate capacity have to undertake activities involving long-term investment or financial risks e. g. tubewells, cottage industries, milk supply, etc. It may start with a minimum programme of work and take up *all* the additional activities as it develops. The ultimate pattern would be one village co-operative which actively plans from within and carries out *all* the functions enumerated in paragraph 4 above. Such an organisation will encounter many inherent difficulties. An important difficulty will be that while in a function like the provision of credit all the members will be interested and will be prepared to assume certain obligations and risks associated with that function, the same will not hold good with reference to functions which are only of interest to a few individuals or groups. Lack of general interest in a particular programme will usually result in no active steps being taken to push forward with it. If a separate society is organised for a specific activity in which a number of members are interested, the liabilities and risks associated with it need not be assumed by all the members and the activity is therefore likely to be pursued with enthusiasm by members who are primarily interested in it. The important principle to follow

in this respect is that the credit function which is of primary importance to all the people in the village should not be combined in the same organisation with other functions in which only a few people are interested and also with functions which involve long-term investment or financial risks. In a society which seeks to carry out too many functions there is a serious danger that even the simpler and more basic function i. e. credit, may suffer and if this happens, it is likely to demoralise the people and destroy their faith in co-operation as a movement.

5.4 The National Development Council Resolution envisages that specific measures required for increased agricultural and other production are carried out through the village co-operative in which every family is represented. The Resolution does not, however, specifically say that all these activities must be carried out by one village co-operative only. All that is said is that the work should be organised on co-operative lines. The Resolution clearly provides for the organisation of societies for specific purposes for an area larger than a village. The organisation of co-operatives covering a group of villages for specific functions is also, we feel, not against the policy laid down in the Resolution. Similarly, we consider that a village can have, in addition to the village multi-purpose society, one or more co-operatives in the village for specific tasks or specific interests.

5.5 We have carefully considered the policy as laid down in the Second Five Year Plan, the policy enunciated in the National Development Council Resolution and the basic principles of co-operation and feel that there is really no conflict between them. Policies in respect of a field of activity like co-operation have to be laid down in a given set of circumstances and as developments take place and conditions change, the policies may require modification. The Council also recognised that conditions differed in different parts of the country and that it would be necessary for each State, according to its conditions, to organise the development of the co-operative movement along lines set out in the Resolution. The proposals we make are intended to provide for the maximum possible progress during the next few years.

6. DIVISION OF FUNCTIONS BETWEEN PANCHAYATS & CO-OPERATIVES.

6.1 It is necessary at this stage to consider the demarcation of the functions at the village level as between the Panchayats and Co-operatives. The Panchayat is primarily an administrative body which comprises all the people in the village and has revenue resources and tax powers, while the village co-operative is essentially a business organisation whose resources are largely based on contractual obligations.

Without going into detail, it may be stated that there are some functions which the Panchayats alone can undertake and some which only co-operatives can discharge. At the same time, there are other functions at the village level which it should be permissible for either the Panchayat or the Co-operative to take up according to the local circumstances. There should, however, be the fullest co-ordination between the Panchayats and the Co-operatives. One way of bringing about such co-ordination might be for the village Panchayat and the village Co-operative to have a joint committee which will not only co-ordinate the functioning of the two institutions but also from time to time consider and advise as to which of the additional functions contemplated should be undertaken by the respective bodies.

7. COMMUNITY DEVELOPMENT AND CO-OPERATION

7.1 The philosophy of community development has been explained in great detail in a number of documents and it is therefore unnecessary to explain it again at length. The objective is to develop the rural areas on a community basis with the village as the primary unit. There are two pivotal points in this connection (i) that the movement should be broad based on village self-government and (ii) the role of the trained village level worker who should be the common agent of all development departments at the point of contact with the village and as the link between the villages and the development teams at the block and district levels making a unified approach possible. As has been stated earlier, the National Development Council Resolution also envisages development of co-operation with the village as the primary unit. The community development organisation must therefore come into the picture much more actively as an agency for the development of co-operation along with the development of other activities. It is in this connection that the block extension officers and the village level workers assume very important roles.

7.2 The Co-operative Extension Officer will be incharge of the co-operative work in the block and the primary responsibility for advising and assisting village societies will be his. He will have to supervise the work of Village Level Workers so far as co-operative activities are concerned and must see that Village Level Workers give adequate attention to co-operative societies in the block. The other Block Extension Officers must also assist the village co-operative societies in their work. In this respect the Agricultural Extension Officer has a vital role to play. The main activity of the village societies will be to formulate the production programmes of villages and make arrangements for the necessary supplies and credit required to implement these programmes. Agricultural Extension Officers must therefore guide and supervise village level workers in

the preparation of such programmes and in assisting the societies in various measures required for implementing the programmes.

7.3 Co-operative Extension Officers are being given training for a period extending over a period of 11 months. Arrangements to send them to refresher courses after every 2 or 3 years in order to bring their knowledge of co-operation up-to-date should be made. In addition, it will be useful if every Extension Officer particularly the Agricultural Extension Officer is also given training in co-operation for a period of about one month.

7.4 At present the charge of a village level worker covers on an average 10 villages. He is the common agent of all development departments. His duties are multifarious and generally speaking it has not so far been possible for him to devote as much time to co-operative activity as is both desirable and necessary. The large plan of co-operative development envisaged by the National Development Council will only be possible if the services of village level workers are available for this purpose in a much larger measure than has been possible in the past. How this can be ensured e.g. by increasing the number of village level workers or reducing the range of their functions or in both of these ways is a matter with which we are not directly concerned, but we would certainly emphasise that for the success of the programme with which we are here concerned, the village level workers will have to be enabled to give the highest priority to agricultural production, Panchayats and Co-operatives. The village level worker's primary responsibility in respect of co-operation would be to give general support to the development of co-operation, particularly in publicity, propaganda and organization. In addition, the village level worker must give every possible assistance to the village co-operative society in implementing its plans of production and particularly in respect of various services which are to be undertaken by the society. The village level worker must assist the co-operative societies and their staff in every possible way. Co-operative societies at the village level will generally have to work with honorary or part-time staff and they should receive every assistance from the village level worker who should be their main contact with various development departments and other agencies. It is at the same time important to emphasise that the village level worker should in no way interfere with the day-to-day functioning of the society, or persuade it to give or recommend loans against its better judgement or, in general, hamper the initiative of the members and directors of the co-operative.

7.5 In village level workers are to perform the duties mentioned above, it is essential that they have a fairly adequate grounding in what Co-operation is and how co-operative societies function. The subject of co-operation no doubt is one of the subjects in the curriculum of

training of village level workers, but generally speaking they do not know enough about the subject to be able to do the work they are expected to do. It is, therefore, essential that all village level workers should undergo a course of training in Co-operation. It should be possible to give them the necessary training in a period of three months. The training should be given at the extension training centres.

7.6 It is also necessary that village level workers who have received some kind of training in Co-operation should periodically attend refresher courses lasting for about a month. Such refresher courses should be held throughout the year so that village level workers are not only trained once, but their knowledge is kept up-to-date. Programmes for this should be drawn up and implemented without delay.

8. PATTERN OF ORGANIZATION FOR IMPLEMENTING THE NATIONAL DEVELOPMENT COUNCIL RESOLUTION.

8.1 It is against this background that we have to make our recommendations regarding the pattern of organisation that can be expected to achieve the objectives of the National Development Council Resolution. We put forward two patterns, one for general adoption and the other for adoption in special circumstances in which the general pattern may, for some time to come, be difficult to apply. In what follows, we refer to the first as Pattern number One and the second as Pattern number Two.

PATTERN NUMBER ONE

8.2 The resolution of the National Development Council has placed the responsibility and initiative for social and economic development at the village level on two village institutions, the co-operative and the panchayat. The panchayat is a civic body representative of the entire community. A co-operative by its very nature is composed of those who voluntarily join it as members. In the context of the National Development Council's resolution the aim is to bring within the co-operative all rural families within the village community. Given universal membership, the co-operative becomes as representative a body as the village panchayat and, in the final analysis, the distinction between the functions of the two bodies is that between activities which are primarily civic and administrative in character and those which are primarily economic in character or relate to business aspects.

8.3 In considering the pattern of co-operative organization, which will fulfill the objectives of the National Development Council Resolution, it is necessary to indicate the extent to which the village community can be visualized as a single entity for the purpose of carrying out various economic activities. It is clear that at this stage of development there is

a certain distinction between the interests of farmers, of artisans and of landless workers, although any increase in general production or employment benefits all sections of the community. In the Second Five Year Plan, it is stated that :—

“the aim of policy should be in the direction of making the village a primary unit of management in agriculture and in many other economic and social activities which bear closely on the welfare of the rural people.”

It is recognized that progress along this direction will take time and will be dependent upon a series of activities and processes of development which are followed up as part of integrated programmes for the development of co-operatives, panchayats and various community activities. The main consideration is that while taking steps to deal with the economic problems of different sections of the community, the need for strengthening the community as such through emphasis on common interests and obligations should be constantly borne in mind. In the development of village institutions, it is desirable to avoid too rigid a view as to the patterns to be evolved and the activities to be undertaken. Under one set of circumstances, it may be possible for the village organization to take up activities which under another set of circumstances, may in fact become an element of weakness. It should also be stressed that, while giving full scope for initiative and organic growth, development at the village level should be integrated with development planned for larger areas such as development blocks, tehsils, etc.

8.4 In accordance with the resolution of the National Development Council, the Village Co-operative has first and foremost to be a service co-operative. In this context its primary functions are the provision of short and medium-term credit, supply of agricultural and other production requirements and the marketing of agricultural produce. In addition to these functions, the co-operative will help formulate and implement a plan of agricultural production for the village and undertake such educative, advisory and welfare work as may be feasible.

8.5 The resolution of the National Development Council views the growth of the village co-operative in relation to the village economy as a whole and, more especially, stresses agricultural production and activities which will promote fuller employment. These objectives are closely connected and while, in abstract terms, it may not be easy to draw the line between activities which a village co-operative might undertake and those which it might not undertake, in practice the decision will depend on the capacity of the village organisation.

8.6 Before a village co-operative can contemplate going beyond its

minimum service, advisory and extension functions, its ability to undertake these in a satisfactory manner must first be assured. This itself is an immense task which will call for large resources in finance, manpower and extensive non-official interest and leadership. During the next few years, therefore, it is reasonable to expect that the primary task of village co-operatives will be to equip themselves to discharge their service functions in an efficient manner and to extend their membership so as to include all rural families. Under favourable conditions some functions other than these may be undertaken by specially well-organized village co-operatives by way of extension of their main service functions, but more often special activities will demand that separate co-operative organizations suited to the purpose should be brought into existence.

8.7 In defining the nature of co-operative organisations which may be necessary for supplementing the work of village co-operatives whose functions, as stated above, are likely for several years to be mainly of a service character, the considerations to be kept in view are the following:—

(i) Artisans will normally require separate co-operatives which may be on a village basis if their number in a given village is sufficient or may cover several villages according to the tasks to be performed and the numbers to be dealt with. The building up of rural artisans' co-operatives is closely connected with technological improvements in agriculture and the consumption requirements of rural areas. A large part of the demand for products turned out by rural artisans must come from rural communities. It is, therefore, desirable that as members of the village community, artisan families should be members of the village co-operative. For the development of their skills, supply of raw materials and equipment and marketing on a large scale, co-operatives comprising artisans in different branches will generally be required. Since the co-operative credit organization has to be visualized as a well-knit and integrated structure, it may in certain circumstances be possible to provide credit facilities at the village level through the village co-operative.

(ii) Economic activities which call for grant of credit for long periods have so far been linked with mortgages of land. In view of the various measures of land reform which have been taken or are in progress, the position in respect of long-term credit and the lines along which it should be developed through co-operative agencies is at present not sufficiently clear. It is agreed that a primary co-operative society should be concerned with the supply of short-term and medium-term finance, leaving it to land mortgage banks or to other special agencies to provide long-term finance. Further, those activities which involve members of the village co-operative in long-term investment are better

undertaken through separate co-operatives rather than as part of the normal functioning of the village co-operative. Thus, where groups of individuals within a village desire to sink a tube-well or run a co-operative farm, separate co-operative societies distinct from the main village co-operative should be organized.

(iii) There are some activities which may be of interest only to a limited number of members of the village co-operative. Whether those should be organized as part of the normal work of the village co-operative or as distinct individual or co-operative activities is a matter to be decided according to local circumstances. Thus, under certain conditions an activity such as soil conservation may require the formation of a special co-operative of those land-holders in the village who stand to benefit. On the other hand, where the main component of the cost of soil conservation activities is the labour required, the village co-operative, along with the village panchayat, may organize the labour force of the community for a series of activities, some of which benefit directly one group of owners, some another group, but all of which help towards the expansion of production within the village. The beneficiaries may be required to provide the labour or pay for the cost of labour at village rates or may agree to contribute a prescribed sum of money for every acre of land benefited. Again, whether in such activities the leading role should be that of the panchayat or the co-operative or both acting together is a matter to be considered according to circumstances. It may be that for many years to come, where financial assistance has to be given for works of a community character, the panchayat may be the appropriate institution. Under other circumstances, it may be possible for a co-operative to assume such responsibilities. The important point is that, while giving due emphasis to sound organisation and avoidance of unnecessary risk, much must be left to the natural evolution of village co-operatives and village panchayats and the measure in which they are in fact competent to discharge larger responsibilities towards the community.

(iv) There are many activities in which the primary organisation has to be larger than a village. Indeed, the scope of such activities will progressively increase as rural development proceeds. It is already visualized that for agricultural marketing, there should be primary marketing societies serving appropriate marketing regions or mandi areas and that village co-operatives should be linked with them as agencies for collection and sale of agricultural produce at assured prices. The question which arises for consideration is whether, in those cases in which activities are organized for more than one village, the beneficiaries concerned from different villages should be brought into a special co-operative or whether village co-operatives should together constitute such a special co-operative. Soil conservation works are cited as an instance in this connection. It is unnecessary to take too fixed a view in respect of questions such as these, as so much must depend upon the circumstances and the needs of the

situation as well as the ability of village co-operatives to provide the necessary leadership in organizing local manpower resources. The formation of special co-operatives to meet the requirements of beneficiaries such as artisans or poultry-breeders or dairy-farmers can be undertaken according to the requirements of the situation. Yet where, as in soil conservation works, the primary issue is whether and in what manner the rural labour force can be fully harnessed for building up permanent local assets, the beneficiaries alone may not be able to carry out the necessary works and it may become necessary to bring together several village co-operatives or panchayats as partners in a joint undertaking which affects more than one village. It is likely that where for larger undertakings village co-operatives or panchayats are in a position to assume leadership in coming to suitable arrangements with similar institutions in neighbouring villages, the needs of the beneficiaries themselves will be best served through a number of village organisations mobilising their labour resources and working together. Where this situation does not prevail, the next best course, namely, for the beneficiaries to come together as a co-operative or otherwise has obviously to be followed.

(v) Activities which may involve trading risks, as in the distribution of consumer goods or in the processing of agricultural produce or in the sale of milk or fruit or vegetables, will need separate organisations appropriate to the scale of operations to be undertaken, requirements of capital, etc. These may often embrace more than one village. In some cases it may be necessary for the village co-operatives to provide credit to individual members of such societies.

Pattern Number Two

पूर्वानुदान

8.8. As already stated, Pattern number Two is put forward, not for general application, but for adoption in those instances in which Pattern number One may not be immediately suitable. There are tracts which are specially backward in the economic sense or are sparsely populated. In these areas it may not be possible to organize in the near future village societies which can adequately handle credit and other activities. There are also areas in which co-operative societies have for various reasons been chronically stagnant and fail to render even the minimum services. It is likely that in some of these cases the normal programme of revitalizing the societies both for credit and other purposes may not hold near prospects of success. There is therefore a danger that in our efforts to organize village societies handling various activities as well as credit the important function of credit itself may suffer. It is therefore felt that in such special circumstances individual societies should be brought together into a credit union for the primary purpose of credit. In this sense Pattern number Two is therefore complementary to and not an alternative for Pattern number One.

8.9. Pattern number Two seeks to combine two ideas : *first*, the idea of a small village co-operative so that the initiative for production and development is vested in the village ; and *second*, the idea of a compact credit union, covering a few villages, so that adequate credit, without which production will suffer, is ensured. More specifically, the underlying object is to create conditions as early as possible at the village level itself under which the basic village co-operative society will be able to plan, promote, and even undertake various measures for the improvement of agricultural production, increase in employment and the full mobilization of man-power and other local resources, while, at the same time, the credit union will provide the credit required by agriculturists for fulfilling the programmes of increased production.

Village Society

8.10 It is necessary to describe the structure and functions of the credit unions and village societies in some detail. Broadly speaking the function of providing credit to individual farmers and others in the village will be assigned to the credit union which serves a compact group of villages and in which all the individual farmers as well as the village societies themselves are members. Thus, the risks associated with the supply of credit in which outside creditors (institutions and individuals others than the members of the village societies) are concerned will be separated from the risks associated with any new credit functions which the village societies may decide to undertake. The credit function being thus entrusted to the union, the village society will undertake all the other functions that can be taken up by a village multipurpose society in Pattern number One.

8.11 Every family in the village will be eligible for membership of the society through one or more of its adult members. The minimum share capital to be contributed to the society by a member will have to be kept reasonably low, as he will also have to contribute shares to the credit union. Efforts should be made to bring all the families in the village or group of villages into the society. The general body of the society will meet as often as necessary to draw up the production programme for the village community as a whole, based on individual programmes, to fix the targets of production for different crops grown in the village and to determine the responsibility of individual members towards the attainment of these targets.

8.12 Having thus decided upon the total and individual production programmes, the society will have to see that the resources and facilities required are mobilized both in the village and outside it. Many of the programmes for improved agricultural production can be carried out in the village itself without much outside help and the village society can easily promote them. Activities like multiplication of improved

seed and green manure, preparation of compost, etc. may be undertaken either by individuals or by the society itself, as may be found convenient. If it is undertaken by individuals, the credit therefor could be obtained by them from the credit union. If it is undertaken by the society on a corporate basis, the society might have to borrow funds from financing banks and could do so on the same basis as any other non-credit society now does.

8.13 Financial assistance in the form of loans to individuals will come from the credit union and technical assistance will be provided by the local community development organization. The loans will be sanctioned by the credit union on their merits, taking into account the recommendations of the village society which will be based on the production programmes drawn up by the latter. They will be disbursed by the credit union direct to the individual members as short or medium-term loans. Long-term loans, where required, will be given by the primary land mortgage banks directly to individual borrowers who may apply for them. Individual farmers will have to be members of both the village society and the credit union, for the latter will not advance any loan unless the application is recommended by the former, nor will any loan be made to any one without his being a member of the main village society.

Credit Union

8.14 We have already indicated the areas and special circumstances under which credit unions may be established. The areas where credit unions should be organized by affiliating to them existing societies and by organizing fresh village societies, where there are none, might be selected by the State Governments in consultation with the Central Government. The constitution and functions of a credit union and its relationship with other co-operative institutions are set out below :

Area of operations :

8.15 So as to command adequate business, the credit union may cover a compact area comprising a group of villages with a population of 4,000 to 5,000. Its geographical area should not ordinarily cover more than 3 miles from its headquarters, so that its office may be accessible to all those residing in its jurisdiction. The physical boundaries of the union will, however, have to be determined with respect to each locality as conditions vary from area to area.

Membership :

8.16 Individuals residing within the area of operation of the credit

union and every village society lying within its area will be eligible for membership in the union and should be enrolled as members as early as possible. But, as already stated, the membership of individuals in the credit union will depend on their membership in the village society affiliated to the credit union. The total membership of the union should be at least 250 when it is registered and when fully developed, it may be about 800 to 1,000.

Share capital :

8.17 As a credit union should have a strong base of owned capital on which it can borrow adequate funds to finance its members, it should build up a share capital of Rs. 20,000 to Rs. 25,000 as expeditiously as possible. One of the efficient ways of promoting thrift in the country-side is to collect large share capital for co-operatives. It would, therefore, be desirable that the bulk of the share capital required by the credit union should be collected from individual members; but as the credit union will be organized in areas which are backward economically, co-operatively or otherwise, it may not be possible to collect adequate share capital from individuals in the initial stages. In such cases the State Government may, if it considers it necessary, contribute to the share capital of the credit union upto the extent of the members' contribution on the condition that its shares should be retired within 10 years from the date of contribution. The share-holdings of the village societies in the credit union need only be nominal as their membership in the union is not intended to enable them to borrow funds from it but only to maintain an organic link between them and the credit union.

Functions:

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8.18 The primary function of the credit union will be to raise deposits from members and non-members and borrow funds from the central co-operative bank and lend them to individual members on the recommendation of the affiliated village co-operative societies. In addition, the credit union will assist the village societies in their non-credit activities, if they so desire. For instance, the union may build godowns in suitable centres where the village societies can keep their stocks of fertilizers or collect the agricultural produce of their members before they are transported to the marketing society. Another very important function of the credit union will be to stimulate the activities of the village societies in regard to the functions assigned to them and guide them from time to time.

Management :

8.19 The management of the credit union will vest in a Board of Directors consisting of one representative deputed by each of the affiliated

village societies and representatives of individual members. The presence of representatives of the village societies on the Board of Directors of the credit union will facilitate the sanction of loans recommended by the village societies for implementing their production programmes and enable the credit union to keep in touch with the activities of the village societies and assist them in this regard.

Staff

8.20 The credit union will employ a qualified full-time Secretary trained in one of the co-operative training centres. The Secretary will have to visit the affiliated village societies as often as possible and promote and assist these societies in items of work connected with credit. Although the credit union may be able to meet the entire expenses of its staff, office-building and other expenses in a relatively short period, it will be necessary to subsidize the credit union for this purpose in the initial years. This subsidy may be on the same scale as we recommend later for village co-operative societies of Pattern number One. It should be open to the credit union and the village societies by mutual agreement to pool the subsidies and meet the running expenses of all of them. It may be that, in some cases, honorary workers will attend to the functions of the village society if their out-of-pocket expenses alone are met.

Relations of the Credit Union with other Co-operative Institutions:

8.21 The credit union will have to be a member of the central co-operative bank in order to borrow from it. It will also be a member of the co-operative marketing society which serves its area. Membership in the supervising union serving the area will also be necessary so that the advantages of the supervision provided by the supervising union may be derived by it. If there are functional co-operative societies operating within its jurisdiction, the credit union will not finance them as they will be affiliated to the central co-operative bank for borrowing the funds they need.

8.22 The scheme proposed in Pattern Two, therefore, envisages, that, although for certain purposes the credit union and the village societies have been separated to form distinct legal entities, the two are so intimately connected that, in fact, they may be said to constitute a single organic unit and are expected to function as such. The membership of the societies in the area of the union and of the union itself will be identical. There is a separation of functions and a sharing of responsibilities. While the credit union provides credit on the basis of a planned production programme drawn up and promoted by the village societies, the societies, in turn, act as controlling units and as important parts of the mechanism which ensures the proper utilization of funds as well as their

recovery As the village societies are freed from the risks associated with credit, they may devote their energies to activities for increasing production and even undertake a certain element of risk in this regard. Simultaneously adequate supply of credit is ensured to the members of the societies.

8.23 It is necessary to indicate how the establishment of credit unions in certain areas may be co-ordinated with the existing structure of village credit and multi-purpose societies, some of which, at any rate, may be functioning satisfactorily and may hold promise of rapid development as service co-operatives. The programme considered practicable in this context is that, in areas where few or no co-operative societies exist, credit unions and new village multi-purpose societies may be simultaneously organized. As indicated earlier, where co-operative societies have been dormant, credit unions may be organized in suitable areas with the consent of the people and the existing village societies may be converted into multi-purpose societies of the type envisaged. Where there are village credit or multi-purpose societies which are functioning on satisfactory lines, the organization of a credit union will be contingent on their voluntarily agreeing to join the union and adopting new bye-laws for the societies. If, by and large, the societies in a particular area do not agree to join a union, it should not be organized there. If, however, a majority of existing village societies agree to join a union, but one or two do not, the union may be organized, leaving out the one or two village societies to function as independent service and credit co-operatives. Moreover, a constituent society which, after a period, is itself able to look after the credit function may be enabled under the bye-laws to opt out of the union and function independently in the manner envisaged by Pattern One. Indeed such a process could, at the appropriate stages, be encouraged and for this purpose the State Governments should review the position from time to time. In this sense Pattern Two would be a transitional pattern from which the evolution would be to Pattern One. In other words, side by side with the establishment of the credit union, efforts must be made to organize the population to the maximum possible extent in local organizations. It is the intention that eventually the functions of the credit union will also be taken over by village multi-purpose societies of Pattern number One and other co-operative organizations. How quickly this can be done will depend on the actual progress.

The success of societies and credit unions under Pattern number Two can be assessed only after it has been tried out on a sufficiently large scale.

9. TYPE OF THE LIABILITY OF THE VILLAGE SOCIETY :

9.1 The basis on which village primary co-operative societies may be organised is one of the important points to be considered. Most of the existing primary societies were organized on the Raiffeisen model of un-

limited liability primarily for supplying credit to small farmers and persons of limited means. Unlimited liability implies that every member of the society assumes full responsibility for the obligations of the society in respect of the moneys borrowed by all its members. This principle was considered important and useful in that it enabled the society to raise more funds from financing agencies as all the assets of all its members formed the ultimate security for the loans given to the society. Thus, theoretically the poorer members, could obtain credit on the security available on the basis of the property of the richer members. Mutual knowledge among members and help to the relatively weaker members thus assumed a legal shape in the form of unlimited liability. The liability is of course enforceable only in the event of liquidation, and therefore, only contingent in character. In fact, however, even for the purpose of providing credit, it was found that unlimited liability had certain disadvantages. The richer classes of people in the village generally kept out of the societies organised on this basis, since they were afraid that in the event of failure their properties may be attached for discharging the debts of the societies. In other cases, the relatively well-off people formed a society of their own and did not admit the poorer sections of the community on the ground that the well-off member would have to assume responsibility for the liabilities of such members, in case of default. In some States, it was also found the advantage of collective security provided by unlimited liability was not in practice appreciable as other conditions such as the requirements of mortgage of land as security for loan and the subscription of certain proportion of borrowing as share capital were still insisted upon. Further it was difficult for those societies to widen the sphere of their activities and undertake functions other than credit, because members would not be generally willing to assume unlimited liability with regard to trading and production activities which, in some cases, may result in losses.

9.2 In view of those features and of the growing preference for the organisation of multi-purpose societies, there has been in recent years an increasing trend towards organisation of new societies on a limited liability basis and the conversion of some existing unlimited liability societies into those based on limited liability. In the case of the later type of societies, the borrowing power of a society is determined as a multiple of its paid up share capital and reserve fund, and the liability of each member is limited to the share capital subscribed by him or a suitable multiple of such share capital in the society. Thus, it is possible for people of all categories-rich and poor - to join such a society without apprehension of any great loss or hardship arising from the enforcement of unlimited liability. It also facilitates the undertaking of certain activities allied to the supply of credit such as distribution of agricultural requisites or consumer goods and the collection of produce for marketing. While the adoption of limited liability facilitates the objective of covering all rural families

as envisaged in the National Development Council Resolution and the widening of the sphere of activities of a village society to the extent found suitable, its borrowing power as indicated earlier is directly related to the paid-up share capital and reserve fund of the society, the multiple being usually 5 to 8 times. In these societies, therefore, the ability to borrow from outside will naturally depend primarily on their owned funds. The following figures indicate the present position and the trend during the last 6 years with regard to the number of societies based on unlimited and limited liability. It will be seen that there is a more rapid increase in the latter type of societies:—

Year	Unlimited liability.	Limited liability.	Total,
1951-52	77,021	30,904	1,07,925
1952-53	79,403	32,225	1,11,628
1953-54	81,326	45,628	1,26,954
1954-55	88,182	55,138	1,43,320
1955-56	93,793	66,146	1,59,939
1956-57	91,723	69,787	8,61,510

9.3. It is our view that the organisation of village societies on the basis of limited liability will be more appropriate for the development of co-operation on the lines envisaged and the increasing trend noticed towards it should be encouraged. This, however, should not be a rigid pattern for the country as a whole and in those States and areas where the State Government and the people feel that unlimited liability is more appropriate, they may continue to organise societies on that basis.

10. CONTRIBUTION TO THE SHARE CAPITAL OF PRIMARY VILLAGE CO-OPERATIVES BY THE STATE

10.1. Following the report of the All India Rural Credit Survey Committee a number of primary societies covering a group of villages have been organised and in these societies the State Government have taken shares either directly or through apex and central co-operative banks. The National Development Council Resolution visualises primary societies at the village level. Some of the Registrars of Co-operative Societies who considered this matter at the conference referred to earlier, expressed the view that State participation in the share capital of selected village co-operatives would go a long way towards enabling the societies to augment their resources. During our discussion, therefore, the question has arisen whether the State should participate in the share capital of primary village co-operative societies. Two sets of considerations have been put forward on this subject.

10.2. The primary village co-operative societies will be organised increasingly on the basis of limited liability and according to the accepted practice, the extent to which they can raise resources by way of outside

borrowings is directly related to their owned funds. It is expected that in due course these societies will increase their membership and by collecting larger share capital from members in instalments and by accumulation or reserve funds will build up a strong financial position. It will, however, take considerable time before these societies which will have an overwhelming majority of small farmers as their members, can do so. It is therefore felt that a certain amount of initial support and assistance should be made available to them by the State by contributing to their share capital to a suitable extent. It has been argued that as far as outside borrowings are concerned, a relaxation of the rules which regulate borrowings as a multiple of owned funds should be made as a temporary measure and State participation in the share capital could thus be eliminated. It is, however, felt that even such relaxation cannot go very far since certain minimum standards as regards the financial position of a society in relation to its borrowings will in any case have to be observed. Further, it is argued that initial assistance by way of share capital contribution will help the society concerned not only to increase its outside borrowings but also to utilise its larger resources in making medium term loans and in undertaking multi-purpose activities such as distribution of agricultural requisites. The State by becoming a partner in the society will not only share the risks involved in the business of the society but also increase the confidence it will inspire and thus enable it to attract larger deposits. To the extent the society is able to do a larger volume of business and earn a higher income, the demand on the State for subsidies and other financial assistance will be reduced. State contribution to the share capital of primary societies is not a permanent feature as it is to be retired by collecting additional share capital from members in the course of a reasonable period of time. The apprehension that such State participation may lead to interference by the State in the affairs of the society can be allayed by ensuring that the terms and conditions on which such contribution is made are suitably framed and that participation in the share capital and nomination to the Board of management of the society are made indirectly through the central financing agencies.

10.3. The other view is that for the present there should be no share capital participation by the State in the village multi-purpose society. Credit should be made available to a primary village co-operative society on the basis of the genuine production requirements of its members. The village society envisaged is responsible for framing the production programme and credit should be made available to the members for implementing such a programme. Marketing will be linked with credit through marketing societies at the Mandi level and if such linking is made effective the Central Bank should have no serious apprehensions regarding the safety of its loan. In the final analysis the credit that is made available by the Central financing agency to a village multi-purpose society will depend on its inherent financial strength. Such financial strength can be built

up by collecting additional share capital, conserving profits, attracting deposits and in general running the society on sound lines. It is realised that it will take some time before such financial strength can be built up and multi-purpose village societies will not without share capital participation by the State, under the existing system, be able to get the same credit as with State participation. They will therefore have to depend on their own resources to a greater extent.

10.4. Participation by the State in the share capital cannot be divorced from the question of State representation on the Board of Directors of the society. If the State is going to invest a considerable amount of money in the share capital of a village society it must have representation on its Board of Management. After all the money which the State will contribute is coming from the general tax payer and the State must take necessary steps to safeguard that money. It must, therefore, keep in close touch with the work of the Society and must also intervene if absolutely necessary. No doubt State representation could be through non-officials of the area concerned, but even then the State will have to closely watch the work of the society.

10.5. In considering the aspects mentioned above, we have taken note of the fact that at present approximately 6,000 large sized societies with State participation in share capital have been started and that it would take some time before a correct appreciation of the achievements of the societies will be possible. The financial implications also will be considerable.

10.6. We are agreed that there should be no State participation at the village multi-purpose society level till the results of the working of the 6,000 large sized societies are carefully assessed and the whole question re-examined in the light of further experience. It is, however, contemplated that State participation in various other types of societies, e.g. marketing and processing societies should continue as at present. Similarly, State participation at the level of Central and Apex Co-operative Banks should also continue.

11. ASSISTANCE TO VILLAGE CO-OPERATIVES.

11.1. In view of the relatively small area of operation and membership and restricted volume of business, the income of most village societies is extremely small and they are therefore generally unable to meet their minimum working expenses. It is therefore necessary that small village co-operatives should be given adequate assistance by way of subsidies. Under the Second Five Year Plan a scheme of assistance for new small sized societies and for revitalizing existing small societies which hold promise of becoming viable units is in operation. These societies are assist-

ed to the extent of Rs. 150/- Rs. 100/- and Rs. 50/- respectively in three years. Actual experience, however, shows that this assistance has not been of much help to them, and it is therefore necessary to re-examine this matter.

11.2. The proposals we make provide for the organization of multi-purpose village societies throughout the country. The membership and turnover of these societies in the initial stages will naturally be restricted while the minimum expenditure they will have to incur will be considerable. It is felt that a new society starting with a membership of 50 and a share capital of about Rs. 500 will have a turn over of about Rs. 5,000 in the first year. The expenditure even in the first year will be about Rs. 500. Of this, approximately Rs. 300 would be required for the salary of a part-time secretary. The income the society is likely to get in the first year would be about Rs. 100 - on its lending business and about Rs. 20 as commission on the supply of fertilizers, etc. It will therefore be necessary to subsidise the society to the extent of about Rs. 400 in the first year. It is hoped that at the end of five years the society will have a larger membership of 150 or so and a turn-over of about Rs. 30,000. The expenditure will also go up as it may have to set up an office, pay T.A. etc. to the staff for going to the Central Banks and also pay audit and supervision fees and a small dividend of 4 per cent or so on its share capital. Its expenditure is likely to be of the order of Rs. 700. Its income from a turn-over of about Rs. 30,000 would be Rs. 600 and income from commission on sale of fertilizers, etc. would come to about Rs. 100. It is therefore expected that if a primary village multi-purpose society works on sound lines it should be possible for it to meet its minimum expenses at the end of five years.

11.3. It must however be made quite clear that these are not firm estimates as a great deal will depend on how the membership grows and how the business develops. It has also been assumed that the Secretary will be a part-time paid employee. It may, however, be necessary for a society to have a full-time man or the salary that will have to be paid to a part-time man may be more than Rs. 25/-. On the other hand, there may be some societies where honorary Secretaries may be available. The position will have to be examined after two or three years to see if any changes in the scale of assistance are required.

11.4. On this basis it is proposed that assistance to multi-purpose village societies should be given on the following scale.

1st year	Rs. 400
2nd year	Rs. 300
3rd year	Rs. 200
4th year	Rs. 200
5th year	Rs. 100

11.5. The actual assistance to societies in different States, however, will have to be worked out in consideration of various factors such as the ability of the societies to become self reliant within a short time, the fact whether they are incurring losses or not, whether they are located in a backward area or a developed area and the success with which they are able to implement their programmes. It is suggested that the above assistance will be shared equally between the Central and State Governments. A lump sum grant will be made to the States on the basis of this formula and the number of societies that are eligible for assistance. The assistance actually given to any one society will have to be settled by the State in consideration of various factors mentioned above.

11.6. There are at present 1,65,000 primary credit societies. Some of them are perhaps in such a condition that revitalization will be virtually impossible and they will have to be closed down. A certain number are in good condition and require no assistance. It is however our estimate that something like one lakh of these societies will require revitalization. As regards new societies, to cover the entire population another one lakh new societies will have to be started. Therefore about two lakh societies will require assistance on the above scale. The maximum cost involved will therefore be approximately Rs. 24 crores. Of course the work will have to be phased over a long enough period which will depend on the ability of the States to take up this programme. As a rough estimate we feel that during the remaining period of the Second Five Year Plan, the revitalisation of 50,000 societies and the organization of 50,000 new societies should be taken up. The maximum cost of assistance for this number will be Rs. 5 $\frac{1}{2}$ crores spread over the next two years.

12. SOME PROPOSALS FOR INCREASING MEMBERSHIP OF VILLAGE SOCIETIES.

12.1. At present a very large number of existing (1,65,000) village co-operative societies are in a very weak condition and a large scale programme of revitalization and rehabilitation will have to be undertaken if serious efforts to reach the targets laid down by the National Development Council are to be made. Similarly, a large number of new village multi-purpose societies will have to be organized. In this connection the following points require special attention.

- (i) A village multi-purpose society can be fully representative of the village only when every family joins it. Efforts must therefore be made to bring in all the families. It is, however, not enough that only such families as want credit join the society. In every village there are a number of people who are relatively better off or at any rate do not require credit on any large scale. Many of them in fact may have surplus funds for investment. They should be encouraged to join the village society and for this pur-

pose considerable propaganda and educative effort are required. These persons often provide leadership in the village and every effort must therefore be made to attract them into the fold. These efforts must be made not only in connection with new societies that have to be organised but in connection with the revitalization of existing societies. The growth of village multi-purpose societies will be facilitated to a considerable extent by the success that is achieved in this respect.

- (ii) It is expected that the village multi-purpose societies would provide not only credit but other services and facilities required by the village population. A large number of such services and facilities are at present being provided by Government and more and more of them will in future be expected to come from Government. It is, therefore, necessary that membership of the village society should be a necessary condition for obtaining various facilities. It is, therefore, proposed that only members of village societies should be eligible for the supply of seeds, fertilizers, taccavi loans and other facilities made available by Government or by Government agencies. If this is done it will be possible to induce a large number of persons to become members of the village societies.
- (iii) It often happens that some people in the village want to take advantage of credit, marketing and other facilities from co-operative organizations at a level higher than the village. For example, individual villagers go to land mortgage banks for long-term loans. Similarly, individual villagers join co-operative marketing societies, sell their produce through them and also obtain loans on the pledge of their produce. They, however, for one reason or another do not join village societies. Efforts should be made to get them into the village society. It should therefore be provided that no resident of a village can get a loan from a central or a primary land mortgage bank or market his produce through a marketing society or get a loan from a marketing society by pledging his produce unless he is also a member of his village society. It should be possible to do this under the bye-laws of these various organizations.
- (iv) At present membership of village societies is generally restricted to land owners. In many States tenants without permanent rights in land are either not admitted as members or if admitted as members they are not normally provided adequate credit. Agricultural labourers, artisans and other persons not connected with the cultivation of land, generally speaking, either do not join village societies or are not admitted. In some States there

are clear instances where a small group of people have formed a co-operative society and refuse to admit new members on any substantial scale. Except in the case of large sized societies, the Society has the final voice in admitting members or refusing such admission and there is no provision for an appeal. It is therefore, necessary that the bye-laws of existing societies are immediately amended in order to permit universal membership. There would, of course, be cases where for good reasons the Managing Committee may refuse to admit a person as member, in such cases definite reasons for refusing to admit him as a member should be confidentially recorded in the society's books and made available to the Registrar, when required. A right of appeal to the Registrar or his senior officers should also be clearly provided. This will help considerably in increasing membership of village societies.

12.2. It is, therefore, proposed that action on these lines should be taken. It should be emphasized that all this cannot be done straight-away and a reasonable period of time must be given before this is done. State Governments and co-operative organisations should examine these proposals and lay down a time limit within which this should be done. To the extent the above proposals are implemented, the membership of co-operative organisations will increase rapidly.

13 TARGETS FOR MEMBERSHIP AND CREDIT

(a) *Membership* :—

13.1. The Resolution envisages a large increase in co-operative activity during the remaining two years of the Second Five Year Plan and the coverage of all rural families by the end of the Third Five Year Plan. It is expected that by the end of the Second Five Year Plan membership of Agricultural Co-operative Societies should be increased from the 1956-57 level of about 9.2 millions to about 20 millions. The rate of progress in this direction during the last five years is indicated in the following table —

Y E A R	Membership of the Primary Agricultural Credit Societies. (In millions).	Average membership per society
1952-53	5.1	46
1953-54	5.8	46
1954-55	6.6	46
1955-56	7.8	49
1956-57	9.2	56

13.2. It is estimated that the membership at the end of 1957-58 would be about 10 millions. The target of 20 million members at the end of the Second Plan Period, namely, by the end of March 1961 thus means doubling the membership during $2\frac{1}{2}$ years. An achievement of the order envisaged would require considerable addition to membership in existing societies and the organisation of a large number of new societies with adequate membership. We feel that the target which is set before us should be a realistic one in the context of existing conditions and the rate of growth achieved during recent years. In this connection, it is necessary to point out that quite a large number of existing societies are in a very weak condition; in many of them overdues are very large and membership is still restricted to a small percentage of population. Many of them are dormant and doing little or no business. A large scale programme of revitalizing them and rehabilitating the movement on a priority basis must therefore be undertaken. Very strenuous efforts both by officials and non-officials and adequate publicity and education will, therefore, be necessary. These efforts will have to be supplemented with the provision of adequate assistance to village societies and a considerably expanded supply of credit and services. The departmental staff of the co-operative departments in the States will have to be considerably increased as a good deal of the burden for such large scale expansion will have to be borne by that staff. Non-official efforts in the organization and running of co-operative societies will also have to be secured on an increasingly large scale. If really strenuous efforts by departments, non-officials and other agencies are made and in particular action on the lines indicated in paras 7 and 12 taken, a target of 20 million membership at the end of the Second Five Year Plan period may not be impossible of achievement. It is, however, necessary to ensure that such large scale expansion is not unsound or merely on paper as in either case it would be detrimental to the movement.

(b) *Credit* :—

13.3. As regards the target for agricultural credit we note that there has been fair progress in this respect during the last few years. Loans by primary agricultural co-operative societies increased from about Rs. 35 crores in 1954-55 to about Rs. 100 crores in 1957-58 and if the rate of development continues at an accelerated pace, the target of Rs. 200 crores (short and medium term credit) at the end of the Second Five Year Plan period would not be difficult of achievement.

13.4. The loans made by primary agricultural credit societies in 1957-58 were of the order of Rs. 100 crores for a membership of approximately 10 millions. The average loan, therefore, comes to Rs. 100/- per member which obviously is not enough for the crop production requirements of the members. It is estimated that on an average holding of 4 to 5 acres, the average production credit requirements of a member will be of the order

of Rs. 40 to Rs. 50 per acre, or about Rs. 200/- per member. If the target of membership, namely 20 millions is achieved, credit to the extent of about Rs. 400 crores would have to be provided in order to meet more or less adequately their production credit requirements. The problem therefore will have to be faced as to how such a large amount is to be found. To the extent co-operative societies raise their own resources by way of share capital and deposits, their need for borrowing from outside would be reduced. To the extent they have additional share capital their limits for borrowing from the central financing institutions will also increase. In addition to the financial strength of the society its ability to recover promptly the loans made to its members is a matter of considerable importance. It must be pointed out that at present there are heavy overdues at the village society level in many parts of the country. This has to be rectified before a substantial expansion of outside credit could be thought of. While the overall average of overdues as a proportion of outstanding loans was 22.0% in 1956-57, it is estimated that some 37% of village societies have overdues exceeding 50% of outstandings and another 27% of village societies have overdues varying from 20% to 50% of the outstandings. The present picture thus is not a happy one and therefore any substantial expansion in loans given may be difficult. The question of prompt recovery of co-operative loans is inextricably linked with effective arrangements for the marketing of agricultural produce through the village and marketing societies and the linking up of the activities of marketing and processing societies with the proposed scheme of State trading in foodgrains. This programme of linking credit with marketing, therefore, assumes great significance. It is thus necessary to point out that while every endeavour should be made to meet the increased credit requirements of agriculturists, the actual achievements will depend on the various factors mentioned above. Of the Rs. 100 crores of credit provided by agricultural credit societies in 1957-58, about Rs. 65 crores were drawn by the Co-operative Banks from the Reserve Bank of India by way of short and medium term loans. The Reserve Bank has thus been an increasing and major source of funds for agricultural credit through co-operatives in recent years.

13.5. We appreciate that the provision of larger funds by the Reserve Bank will depend a good deal, among other factors, on the strength of the co-operative credit structure, and the effectiveness with which credit and marketing are linked for ensuring prompt recovery of loans.

13.6. In this connection it is relevant to point out that any substantial increase in membership unaccompanied by the provision of adequate and timely credit will discourage new members from joining co-operative societies. No doubt, co-operative societies should, as a general rule, ultimately find enough resources for their own requirements but this would be possible only after considerable efforts and a good deal of time. In the intervening period, some arrangements for provision of adequate credit must, there-

fore, be made. The immediate source of credit for primary societies is the central co-operative bank which raises part of its resources by deposits. It must be noted, however, that some central co-operative banks have been showing urban leanings and prefer to devote a large part of their funds to dealings with individuals, traders, etc. This has to be rectified, but even then it must be remembered, the banks have also to meet demands from co-operative societies other than rural co-operatives. Moreover, central co-operative banks in the existing market conditions are unlikely to attract additional deposits to any considerable extent and cannot, therefore, be relied upon to raise on their own a large part of the resources required. The question, therefore, will arise as to whether the additional funds required should be found by Government. This may be inevitable but as a rule, it is not advisable for Government to do so except as a purely temporary measure. The experience of taccavi loans during the last few years is not very encouraging.

13.7. As we have already stated, until the co-operative structure at each level is strengthened the provision of credit on an adequate scale through the co-operative organisations does not seem feasible. On the other hand, we must recognise that suitable arrangements for credit must be made urgently. Firstly, any substantial increase in membership unaccompanied by the provision of adequate and timely credit will discourage new members from joining co-operative societies and will adversely affect the growth of the movement. Equally, if not more important, is that increased agricultural production in the immediate future will not be possible without such larger credit being made available. It is of the utmost importance that adequate credit for improved seeds, fertilisers, manures, etc. should be readily available and in time to every cultivator who needs it. Similarly credit has to be provided for wells, pumps and other irrigation facilities. In a majority of States the total amount of credit available through co-operative agencies is inadequate and few small farmers are at present able to get it. The NDC has already envisaged that steps should be taken to review the existing credit limits so as to facilitate the expansion of agricultural credit. This will involve a review of the existing procedures for fixing credit limits of primary societies and central co-operative banks. In this Report, it has not been possible for us to examine the problem for this aspect and make detailed suggestions for ensuring that the credit requirements of cultivators will be met at a steadily increasing scale. The problem is important and requires careful and immediate consideration and we suggest that it should be separately examined by the Government of India, the State Governments, the Reserve Bank of India and others concerned and definite decisions taken so that adequate credit, so essential for any programme of increased agricultural production, is made available.

13.8. Although efforts will have to be made, and practical measures outlined, for reaching the targets proposed with regard to membership and

credit, it should be ensured that the primary structure which comes up is organised on a sound and popular basis. It is, therefore, necessary that before new primary co-operatives are set up, certain minimum tests should be applied such as that, at least a minimum proportion 25% of the families in the village or 50 persons whatever is higher should come forward to join the society, that each member should subscribe a minimum share capital (say Rs. 20) - and pay up a minimum first instalment, and agree to pay the rest within a short period of about 5 years. Such tests should be laid down by each State after taking into account the conditions prevailing in different areas. It would be unwise to bring about a hasty expansion of the structure, merely to fulfil certain targets and the tests suggested are necessary for ensuring that the structure will be sound and has the earnest participation and support of the people.

14. LONG-TERM CREDIT

14.1. Measures necessary for increased agricultural production involve in many cases long term investment in bunding, purchase of machinery, digging of wells and preparation of land for utilisation of irrigation facilities, etc. These measures require long term credit for the provision of which the institution of Co-operative Land Mortgage Bank is necessary. Such Banks have been organized in every State, but only in three or four they are doing fairly large business. The banks raise the funds they require by issuing, from time to time, debentures guaranteed by the State Governments. A serious difficulty in the way of rapidly expanding their activities is the acute shortage of financial resources which they are experiencing. Before nationalization, the insurance companies were the largest subscribers to the debentures issued by the banks. These debenture issues are also being supported by subscriptions from the Reserve Bank of India to the extent of 20% of each issue or the short fall of public subscriptions, which ever is less. Before the commencement of the Second Five Year Plan, similar support was available from the State Governments, which, in turn obtained financial assistance from the Government of India. This assistance has been withdrawn since the beginning of the Second Plan. More recently the State Bank of India has been purchasing a portion of debenture issues and giving its support to co-operative land mortgage banks. In the light of the vastly expanded requirements for long term investment in agricultural improvements, especially for minor irrigation, and for measures to facilitate utilization of irrigation water, the resources now available with the Co-operative Land Mortgage Banks are extremely inadequate. We, therefore, feel that much more assured and sizeable support should be made available to them by the Government of India or by the Life Insurance Corporation and other banking institutions.

15. MOBILISATION OF RURAL SAVINGS BY CO-OPERATIVES

15.1. The Resolution pointedly draws attention to the fact that an

essential object of the co-operative movement is the inculcation of the habit of thrift and savings and suggests that through such savings efforts should be made to meet within a specified period or according to a programme worked out by the co-operatives, all the credit needs of their members. The emphasis on the need to inculcate the habit of thrift and to mobilise savings through co-operatives is extremely important in the context of the growing financial requirements of co-operative societies for meeting the credit needs of their members. The programme itself will depend to a large extent, not only on the resources which can be raised by borrowings from outside, but also on the resources mobilised from within the movement by way of share capital contribution, deposits, etc. We, therefore, attach considerable importance to measures for strengthening the share capital position of co-operative institutions at all levels by contribution from members and such other steps as would add to their capital structure. They should be able to win the confidence of the public and of their members and thus attract an increasing volume of deposits.

15.2. The total amount of savings available in rural areas is limited and the number of persons in a position to save is relatively small. It is, therefore, essential that these savings should, to the maximum possible extent, be available for co-operative development. They can take the form of shares and deposits in co-operative organisations and rural debentures issued by the Central Land Mortgage Banks, to which a reference is made below. At present the flow of such savings to co-operative organisations and land mortgage banks is very limited, and consequently they have to depend to a considerable extent on funds from outside through the co-operative banking system, Government and the Reserve Bank of India. To some extent it may be due to the competition of the National Savings movement, which is not only able to offer more attractive terms but also exercises enormous influence through the apparatus of the State Government and its allied agencies. In many States the Co-operative organisations themselves are being called upon to assist in the National Savings movement. It is suggested that the Ministry of Finance should, in consultation with others concerned, examine this question carefully and work out a scheme which will help co-operative institutions in mobilising as much of rural savings as possible without detriment to the national savings' movement.

15.3. We note with satisfaction that attention is being devoted to new methods of mobilising rural savings through co-operatives as in the case of the recently introduced scheme of rural debentures by some of the Central Land Mortgage Banks. Under this scheme, a specially designed type of debentures suitable for rural investors for a seven year period carrying an attractive rate of interest is being issued soon after the harvest time. Attempts are being made to collect as much money as possible from cultivators through such debentures, with the help of all the co-operative institutions in the area such as central co-operative banks and rural credit soci-

ties. As an incentive for maximum efforts being put forward in this direction the Reserve Bank of India has agreed to provide long term funds upto 15 years, more or less on a matching basis with the collection from the public, at a fairly low rate of interest. The resources thus raised together with the contribution from the Reserve Bank of India will be utilised for long-term productive loans to agriculturists, at a relatively low rate of interest, for purposes connected with local projects, or of special local importance. This scheme which was begun in 1957-58 in a few States is being intensified and extended to other areas on a larger scale this year. We consider that this scheme is a highly commendable effort in the direction of introducing a new and promising instrument for tapping rural savings and recommend that it should be encouraged by all possible means and such debentures should be treated on par with the National Savings Certificates for various purposes.

16. INTERMEDIARY ORGANIZATIONS BETWEEN THE PRIMARY AND DISTRICT LEVEL

16.1. The National Development Council Resolution in saying that "village societies should be federated through unions", seems to contemplate the establishment, at a level lower than that of the district central co-operative bank or federation, of a union which is a federal association of village societies. Such an intermediary organization should be a 'supervising union' to which all co-operative societies in its area are affiliated. As regards the area of operation of a supervising union normally it should cover a block, but when the block is large and the number of affiliated societies considerable there would be no objection to more than one union in a block. The union may be placed in charge of supervision which comprises various activities connected with all the co-operative societies of the area, such as promotion, education of members, rectification of defects disclosed by audit, ensuring proper and timely disbursement and recovery of loans and generally activating the societies in various ways. These duties will be distinct from and additional to the statutory duties exercised by the Co-operative Department and its officials, such as audit and inspection. The areas of unions could also serve as constituencies for electing the Board of Directors of the district central bank to which several hundreds of societies may be affiliated. These unions will be non-official organizations and the general body of each union will consist of the representatives of the village societies, central financing agencies, marketing unions, etc. serving the area. Government should also be represented through the Block Co-operative Development Officer. They will employ their own supervisory staff and meet their expenses from a "supervision fund".

16.2. To this Fund affiliated societies will make contributions according to their working capital and on profit. To start with, these contributions will naturally be small but it is expected that by the end of 5 or 6 years the societies' contribution should be at least 33% of the total annual expendi-

ture of these unions. Central financing institutions must also contribute to the Fund on the basis of the total amount of money they have advanced to the societies in the area of operation of the union. Marketing unions and other co-operative organizations which will also be members of the supervising unions must also make some contribution. Ultimately, the contributions from central financing agencies and such institutions should be at least one-third of the total annual expenditure. Government must also contribute to this Fund. Such contribution to start with will have to be considerable but it should be possible to gradually reduce it to one-third of the total annual expenditure.

16.3. The arrangements for supervision vary from State to State. In Bombay and Madras, supervising unions carry out supervisory functions in association with the Co-operative Department and the Central Co-operative Bank. Elsewhere the supervision is carried out either by departmental staff, or by the supervisory staff directly employed and controlled by the Central Co-operative Bank. The Registrars' Conference also considered this question and was of the view that in some of the States where organisation of such unions had taken place, they did not produce the desired results and that, to begin with, efforts should be concentrated on developing and strengthening the primary structure at the village level before the organization or development of such unions could be thought of. We are, however, of the view that where supervision still rests with the State Governments, steps should be taken to transfer it, gradually to unions of the above type. Arrangements for supervision have developed in different States according to local conditions and experience and each State should on a careful assessment of its conditions and requirements decide the manner in which supervision should be carried out.

16.4. We may now consider other types of unions which may be expected to undertake 'business' activities. A banking union, which would add one more intermediary to the existing three tier structure is unnecessary and would add to the cost of credit supplied to agriculturists, while not serving any useful purpose.

16.5. In districts where the area covered by the Central Bank is too large, and a number of primary societies have to be served, the central co-operative bank should open branches at suitable centres in the district, so as to provide easy accessibility to the societies. Branch Advisory Committees which should include representatives of local supervising unions should be associated with the working of such branches.

16.6. Marketing is handled by marketing societies established at mandi centres, which would also serve as stockists of fertilizers and other requisites to be distributed to agriculturists. We have elsewhere referred to the possibility of rural godowns being established by marketing societies.

17. MARKETING, PROCESSING AND STORAGE

(a) *Marketing* :

17.1. The National Development Council has attached much importance to the development of co-operative marketing societies as they would assist in the stabilisation of prices. The council envisages marketing societies for mandi areas being linked with village societies, functioning as agencies for collection and sale at assured prices at the village level. The expansion of co-operative marketing is expected to provide both larger credit facilities for rural areas and larger supply of foodgrains for meeting the needs of urban areas.

17.2. The proposals of the National Development Council in regard to co-operative marketing gain even greater significance on account of the decision that the State should take over wholesale trade in foodgrains. In the scheme which has been prepared by the working Group on State trading in foodgrains, it is contemplated that the responsibility for purchasing foodgrains from the farmer and bringing them to the wholesale market will, over a period, be taken over by marketing co-operatives. The Working Group has described the organisation of co-operatives as by far the most important aspect of the socialisation of wholesale trade in foodgrains and in the following passage it has drawn attention to several important considerations :—

“Firstly, from the beginning, marketing co-operatives should function as agents of the State and to enable them to do so Government will have to arrange for the necessary finance for co-operative trading operations. Secondly, we expect that the development of co-operatives will mean that the marketable surplus of the members of the co-operatives will pass mainly through co-operative organisations. As membership of the co-operatives increases a stage will be reached when the functions of the private dealers will be performed mostly by the co-operatives. During the period in which both wholesale dealers and co-operatives buy produce from the farmer, it is essential that the operations of co-operatives are not hampered on account of unfair practices on the part of dealers. Special care should be taken to ensure that co-operatives develop along sound lines and expand on the strength of the service rendered by them. The buying operations of private dealers are often linked up with advances made by them to the farmers. It is, therefore, important to ensure that from the outset co-operative credit and marketing are fully integrated”.

17.3. It has been made clear in the report of the Working Group on State trading in foodgrains that the primary objective of State trading is

to maintain price levels which are fair to the producer and to the consumer throughout the season and over an agricultural cycle. Government will fix purchase prices at assembling markets or other appropriate areas at which Government may acquire stocks from the traders or take over foodgrains purchased by co-operatives from farmers. There are other aspects of price policy which are discussed in the report of the Working Group on State Trading in foodgrains with which we are not immediately concerned. It will be sufficient to emphasise here that in future what is expected of co-operative marketing societies is that they will function as agents of Government for buying foodgrains outright and making them over to Government at rates known in advance, subject only to the usual scales of deductions for higher percentage of moisture or higher percentage of broken or admixture with other grains, etc. and inspection by Government inspectors.

17.4. It has been emphasized that Government should fix prices for various foodgrains at which the farmer shall sell either to traders or to co-operatives. It is intended that neither the co-operative nor the trader shall pay the farmer a price higher than that fixed and it will therefore be necessary to take adequate measures to see that the private traders do not in actual practice pay the farmer a price higher than that fixed by Government. Co-operatives will not be in a position to do so but the traders may do so in actual practice. For example in certain parts of the country the wholesaler is also the miller and it is quite likely that the wholesaler will pay the farmer a higher price than fixed by Government and forego a part of the normal charges for milling. If this is done, the farmers would naturally go to the wholesaler and as a consequence the business of the marketing societies and recovery of loans through sale of produce to marketing societies will suffer. This particular aspect therefore requires careful consideration and effective steps must therefore be taken to prevent this happening.

17.5. We have carefully considered the question whether as means of preventing such unfair competition by the traders, it would not be desirable to earmark specific zones or areas where only co-operative marketing societies can purchase foodgrains from the farmer. Wholesalers normally operate both at their headquarters at the Mandi as well as through their purchasing agents who go round the country and collect agricultural produce. If any arrangement for zoning of areas and granting of monopolies to co-operative societies in those areas is to be satisfactorily implemented it will be necessary to prevent agents of wholesalers from going round the area. Adequate administrative steps will therefore have to be taken. Secondly, if the co-operative marketing societies are not equipped to handle the produce from the areas earmarked for them the farmers will not be able to sell their produce quickly and procurement of foodgrains by Government will also suffer to a corresponding extent. We are fully aware of the

actual position namely that there are at present not many really efficient marketing societies which will be in a position to handle all the produce in their areas. We, however, feel that in the case of a few selected marketing societies which are working satisfactorily such zoning should be introduced by way of experiment. The area allotted to such marketing societies will of course have to vary in size according to their capacity to handle the produce that will come for sale from that area.

17.6. Indeed the progress to be achieved in the direction of State trading in foodgrains will depend on the system of well-managed co-operatives covering the countryside. In this connection, it may be mentioned, that 1000 primary marketing societies have already been established in the important mandis in various States. These marketing societies are also constructing 869 godowns. The Conference of Registrars of Co-operative Societies has recommended that the co-operative marketing societies which have already been established should be appointed as agents of the Government in the area in which they operate. We support this view.

17.7. Nine hundred marketing societies are yet to be established and we feel that this programme needs to be accelerated and completed as early as possible. We, therefore, suggest that the programmes included in the Second Five Year Plan for various States may be carefully reconsidered with a view to strengthening the share capital and providing additional storage accommodation for them. The review might also bring out the need for starting additional societies.

17.8. The Working Group on State trading in foodgrains has emphasised the importance of obtaining sufficient storage accommodation and has recommended that Government should aim at constructing additional accommodation for 5 million tons. It is understood that this is intended to include the storage accommodation to be built up by the Central and State Warehousing Corporations. In addition, it will also be necessary to undertake a programme for construction of godowns by primary marketing societies both at assembling markets and at important village centres. This programme of godown construction by marketing societies should be completed very early as it has tended to lag behind owing to various practical difficulties, especially in regard to acquisition of land in mandi centres. Expenditious arrangements for land acquisition should be introduced and technical personnel necessary for planning and supervising construction should be provided.

(b) Processing :

17.9. The Resolution of the National Development Council has also drawn attention to the need for enlarging the programme for co-operative processing, especially in regard to food crops. The most important commodity involved, in this connection, is rice. It is well known that inter-

regional trade in rice, i.e. surplus to deficit and urban areas is in the form of milled rice, and consequently the wholesale trade in this commodity is inextricably linked with rice milling. The rice milling industry at present is mostly in the hands of the private trade. If co-operative marketing societies are to play an important role in marketing of rice, it will be necessary that (a) all new rice processing units which may be required should be set up on co-operative lines and (b) a programme should be worked out by each State in accordance with which existing units engaged in processing rice should be taken over by co-operatives with which the State is closely associated in management and finance.

17.10. For facilitating the transfer of existing processing units from individual ownership to co-operative ownership and management, legislation will probably be necessary. This question should be separately examined. In this connection it will also be necessary to review the existing policy under which no fresh licences for rice mills are being given. Co-operatives will have to be permitted to set up new rice mills wherever necessary if they are to take up marketing of rice on a large scale.

17.11. Apart from rice there are a number of other agricultural commodities which have to be processed, e.g. oil seeds, cotton, sugarcane. The marketing of these crops on co-operative lines to be successful will also require that the processing of these commodities should also be done through co-operatives. There has been fair progress in the processing of sugarcane through co-operative societies, but not much headway has been made in respect of other agricultural commodities. We, therefore, recommend that the matter should be separately examined and a comprehensive programme worked out.

(c) Rural Godowns :

17.12. One of the ways by which the activities of the village societies could be made more effective is to assist their marketing and supply business by enabling them to have small godowns. This assumes considerable importance in the light of the National Development Council resolution on State trading in foodgrains. While it may not be possible or necessary to provide one godown for each village society, it would be useful if for every group of about 10 villages, a rural godown could be provided and made available to all the village societies in that area. Such godowns should belong to the marketing society serving the area. The management of the godown could be entrusted to the primary society of the village in which it is located or the marketing society could manage it itself. In suitable cases a primary society if it has enough business could also have such a godown : it should be given the necessary assistance for that purpose. If a credit union is organised for a group of villages, it may also own and run such a godown and be given the necessary assistance. In any case it is necessary to set up a large number of rural godowns of this type. At

the rate of one godown on an average for 10 villages 10,000 such godowns will be required. The cost of each such godown will approximately be Rs. 10,000. The total provision required will, therefore, be of the order or Rs. 10 crores.

18. TRAINING AND EDUCATION OF MEMBERS, NON-OFFICIAL WORKERS AND OFFICIALS.

18.1. If rural co-operation is to be developed as a people's movement, it will be necessary to train a large number of village leaders, young men and non-official workers in co-operative principles and the management of co-operative institutions. A vigorous nation-wide training programme for non-official workers and members of co-operative societies is fundamental to the success of the whole programme of co-operative development. A beginning has been made in this direction and schemes for training have been initiated through the All India Co-operative Union, the State Co-operative Unions and Institutes and District Co-operative Unions wherever they exist. The progress made so far is, however, very little and much more widespread and effective arrangements will have to be made so that several lakhs of persons can be trained. This aspect of co-operative training we feel, be more appropriately done through non-official co-operative organisations. It is, therefore, necessary that steps should be taken to organise efficient State and District Unions wherever they do not exist. The existing State and District Unions should be strengthened and the machinery of Supervisory Unions referred to earlier, more fully utilised. Considerable additional funds will have to be made available for this purpose by the Central and State Governments. The question should be discussed with the All India Co-operative Union and State Unions and Institutes and an expanded programme of training be worked out and put into operation without any delay.

18.2. In para 7 we have dealt with the role of the block extension officers and the village level worker and made definite recommendations about their training.

18.3. With regard to the training of officials of the Co-operative Departments and of paid employees of co-operative institutions a fairly comprehensive framework of institutional arrangements has been developed under the Central Committee for Co-operative Training. A programme for training, junior, intermediate and higher personnel required for the development envisaged under the Second Five Year Plan is at present under implementation. This programme, however, in view of the large expansion now proposed, will have to be reviewed and strengthened wherever necessary. Specialised courses for the personnel engaged in managing marketing societies, processing units, consumers stores, land mortgage banks, etc. should also be started on a large scale. The expanded programme of training should be worked out in consultation with State

Governments, and the Central Committee. The Additional financial provisions required should be made available through a supplementary plan.

19. DRAWING NON-OFFICIALS AND HONORARY WORKERS INTO THE MOVEMENT

19.1. The Resolution lays considerable emphasis on the need to draw a larger number of non-official and honorary workers into the movement. This has always been the objective and except in relatively under-developed areas, co-operative institutions are managed by Boards of Directors with a majority of elected non-official members. In certain States, however, it is still the practice to nominate Government officials as Chairman of the Board of Directors. This practice, we feel, should be given up as early as possible. In order to attract honorary workers and leaders with enthusiasm, ability and integrity in much larger numbers than before, the necessary atmosphere should be created. Co-operative organisations should have efficient managerial staff for day to day work with a non-official Board of Directors who should carry out the general supervision and direction. It is particularly important to bring in non-officials in organisations which have promotional and educational activities.

19.2. The programme of expansion envisaged during the Second and Third Five Year Plans period is very large and if it is to be implemented in full, it will in our opinion call for something more than official and non-official effort in the form in which it is available today. The programme really requires efforts on a mass scale throughout the country and what is really needed is so to say a campaign on a nation wide scale. It will not be enough to get non-officials to help in the organisation and running of societies. A vast army of persons who have been given the essential background of co-operation as a movement will have to go into the field and carry the message to the masses and organise them.

20. STRENGTHENING OF DEPARTMENTAL STAFF

20.1. We have already indicated that in order to develop co-operation as a popular movement it will be necessary to draw to the maximum possible extent on the leadership and honorary services of non-officials. It must, however, be recognised that for an expanded programme of organisation and revitalisation of a large number of co-operative societies and the attainment of higher targets in respect of membership, credit and other activities, the Co-operative Departments of States will have to bear the major burden. In any case with a vastly expanded programme of co-operative development even for the performance of the minimum statutory functions such as inspection and audit, a considerable increase in the departmental staff will be necessary. In most States, audit continues to be heavily in arrears owing to shortage of staff and the efficiency of audit suffers because too many societies are entrusted to an auditor. The National Development Council Resolution fully recognises that Co-operative Depart-

ments at present are not adequately equipped in field personnel as well as at the higher levels for organising a larger programme of co-operative development. Under the Second Five Year Plan, a provision was made for strengthening of Co-operative Departments but this has been found to be inadequate. It is therefore absolutely essential to strengthen the State Departments of Co-operation at all levels, headquarters, district and field.

20.2. The Central Banks, Unions and other co-operative institutions e.g. marketing and processing societies will also require considerable additional staff in order to fulfil the additional responsibilities devolving on them under an expanded programme of co-operative development. These organisations will have to be assisted by the Central and State Governments to enable them to provide the necessary staff.

20.3. In this connection it is relevant to point out that at present the salaries and other emoluments of the staff of Co-operative Departments are lower than those paid to the staff of other development departments. It is, therefore, difficult to attract suitable personnel with the necessary calibre and training to the Co-operative Department. The question of revising their terms and conditions of service therefore requires to be taken up without any delay. In this connection the following views expressed by the Conference of Registrars are relevant:

- (i) the Department should have at its head-quarters specialised and technical officers to advise the Registrar :
- (ii) the present pattern of central financial assistance of 25% of the cost of additional departmental staff was inadequate, in as much as the State Governments could not employ the requisite additional staff with the present assistance from the Center. Increased assistance to the extent of about 50% was, therefore, necessary ;
- (iii) the scales and service conditions of the officers of the Co-operative Department should be on par with those of the major Departments such as Revenue, Agriculture, etc ;
- (iv) the status of District Officers of the Co-operative Department which was at present generally Class II should be Class I where District Officers of Departments like Agriculture, Engineering had Class I status ;
- (v) there is great need for setting up a publicity and statistical organisation in the Co-operative Departments of states.

It may be noted that Sir Malcom Darling who visited India at the request of the Planning Commission made a special study of the Co-operative Movement and made specific recommendations with regard to

the extent to which additional staff is required at all levels. These recommendations were made in the context of the Second Plan as earlier envisaged and they should be reviewed and enlarged in the context of the new proposals for rapid and large expansion of co-operative activity.

20.4. Substantial financial provision will have to be made for all this through a supplementary Plan.

21. SIMPLIFICATION OF CO-OPERATIVE LAW AND PROCEDURE

21.1. The Resolution has emphasized that the restrictive features of the existing co-operative legislation should be removed and Co-operative Laws and Rules modified so that they do not impede the development of co-operation as a popular movement. Although some attempts in this direction have recently been made, there is considerable room for development on the lines indicated and this matter should receive the immediate and earnest attention of the State Governments. The procedure adopted for registering primary societies and that adopted by central bank in making loans to primary societies require particular attention, as delays and difficulties in both these respects seem to be experienced in several States. As conditions vary largely from State to State, no uniform steps can be suggested. It is recommended that State Governments should examine the position and take suitable action.

21.2. Many of the restrictive features referred to in the Resolution seem to relate more to administrative and procedural processes than to legal matters. To quote only one instance, in some States, the Normal Credit Statements prepared by the societies are scrutinised by the Central Banks and the merits of the demand of each member are gone into. Such an examination of the Normal Credit Statements is not only unnecessary but it also tends to take away the sense of responsibility and initiative from the office-bearers of the societies. It also creates an impression that the Banks interfere with the internal working of the societies. It is enough, if the central banks take into account the assets, the borrowing power of the society and its past record while sanctioning the loan and leave the internal distribution of the sanctioned loan to the society, so as to promote a greater sense of responsibility on the part of its management. Conditions differ from State to State and no uniformity is possible. State Governments should examine the position and take necessary steps to simplify the administrative processes and to ensure the popular character of the movement.

21.3. At present a large number of powers and functions under the co-operative societies Acts and Rules are concentrated in the hands of the Registrar and his senior officers. Some of these powers could be usefully delegated to the junior field officers of the Department such as Inspectors.

Some functions could also be delegated to Central financing agencies and as they acquire experience, some more functions could be transferred to them. We suggest that the State Governments should examine the provisions in their Acts and Rules, and try to reduce, as far as possible, the official control on the movement. While delegation of powers in the manner set out above is essential and should be brought about in every State in the light of its own conditions, we feel that statutory functions like audit, registration, inspection, supersession, cancellation, etc. must continue to be the responsibility of the Registrar of Co-operative Societies.

21.4. It is also necessary to rationalise and reduce the number of forms and registers to be maintained by co-operative societies. The periodical information and statements to be obtained from the societies should be standardised and the societies should not be troubled, at every stage, for collecting the data required by the State Governments and others. Honorary or part-time paid Secretaries are often unable to maintain a number of forms and registers and supply different types of information to the departmental officers. This problem needs to be examined in every State by a small representative committee.

22. CHANNELLING OF THE TACCAVI AND OTHER FACILITIES THROUGH CO-OPERATIVES.

22.1 The National Development Council Resolution considers it essential that, by making taccavi loans and other facilities available to individuals through co-operatives, conditions should be created in which every peasant and rural worker will find it to his advantage to join the village co-operative. At present credit and other facilities are made available to the rural population through many agencies. Co-operatives give loans and also provide various services. State Governments also give taccavi loans and provide various facilities. The Community Projects Administration has separate funds which are also made available to the rural population. The Resolution of the National Development Council envisages universal membership and, for this purpose, it is necessary to try and make all these facilities available through one agency, (viz.) the co-operative.

This question was discussed at the Registrars' Conference which has made the following recommendations :

- (i) Distress Taccavi should continue to be given by Government itself.
- (ii) Production Taccavi should be placed at the disposal of co-operative financing agencies and should merge in the funds of those agencies.
- (iii) Loans should be issued by the co-operatives as co-operative loans for which a uniform pooled rate of interest should be charged on all borrowings."

22.2. The question of rate of interest itself is a very complicated one and requires very careful examination. Co-operative societies advance loans to their members at rates of interest which depend on a number of factors and the ultimate rate to the borrower varies from State to State and in various parts of the State itself. The rate at which taccavi loans are made available is generally lower. If all credit to the cultivators is given through one agency, a uniform rate will have to be worked out and to some extent an element of subsidy may be involved. The whole question, therefore, requires very careful examination by the State Governments so that a clear policy can be laid down. We recommend that this should be done without any avoidable delay and necessary steps to channel all credit through co-operatives should be taken.

22.3. At present the distribution of fertilisers is being done through co-operative societies to varying degrees in various States. In some States, the entire distribution is done through co-operatives while in others only a portion is distributed through co-operatives. It is essential for the success of the movement that this work should, throughout the country, be handled by co-operative societies only. It may not be possible to do so all at once, but efforts to achieve this within a specified period, say three years, should be made. There may be other activities also where the rural areas have to be assisted and, as far as possible, the co-operative agency should be used for this purpose. Every State Government should make the rural population realise that whatever assistance it gives will be given through one agency, viz., the co-operative. Only then, will there be a definite shift by the rural population towards the co-operative and this will considerably assist in achieving the targets set out in the Resolution.

23. ADDITIONAL PLAN PROVISION

23.1 For the implementation of the new programmes consequent on the Resolution, additional funds will have to be found especially for the following schemes :

- (a) Subsidy to village multi-purpose societies and credit unions for a period of five years ;
- (b) Loans and subsidies for construction of rural godowns ;
- (c) Subsidy to supervising unions wherever necessary ;
- (d) Purchase of debentures of land mortgage banks by the Central Government ;
- (e) Share capital contribution, loans and subsidies for construction of godowns and subsidy for managerial staff of marketing and processing societies to be organized in addition to the existing Plan targets ;

- (f) Strengthening of departmental staff; and
- (g) Expansion of the training facilities for departmental and institutional employees and of education programmes for non-officials.

23.2 Although we have endeavoured to estimate the outlay on certain schemes at the appropriate places in this report, it is difficult at this stage to indicate the quantum of additional provision required. A supplementary programme will have to be formulated by State Governments, immediately, after taking into account the progress so far achieved, possibilities for development, etc. We urge that the programme so prepared should not suffer for want of adequate resources and additional resources should be found by the Central and State Governments.

24. SUGGESTIONS FOR FURTHER ACTION

24.1 In our Report we have examined the National Development Council Resolution and made certain broad suggestions as to how the Resolution should be implemented. We, however, feel it necessary to point out that the proposals we have made will require further detailed examination. Conditions vary from State to State and in various parts of the same State. Some States are co-operatively well developed and have a fairly adequate and competent organization while others are undeveloped and are not adequately equipped either at headquarters or in the field. The action that States will have to take to implement the Resolution will therefore vary considerably and naturally it was not possible for the Group to make concrete suggestions in respect of each State. We, therefore, suggest that the Report should be circulated to the States. This should be followed by a conference of Ministers of Co-operation, Registrars of Co-operative Societies and Development Commissioners so that the implications of this Report can be examined and broad conclusions for the country as a whole reached. After that, each State will have to work out the detailed plans and their financial and administrative implications.

24.2 In this connection we would like to emphasise that the programme for co-operation is the very foundation of the country's effort in economic development. The decisions on co-operative policy reached by the National Development Council in November, 1958 provide a broad common approach which has to be adapted and pursued in each State as part of the national plan with due regard to local conditions and experience. The responsibility for executing the co-operative programme lies with the State Governments and co-operative organizations at all levels. It will be for them to impart to the programme the necessary sense of urgency, dynamic quality and ability to respond to local needs.

APPENDIX

Resolution of the National Development Council on Co-operative Policy.

At its meeting on November 8 and 9, 1958, the National Development Council considered the role of the co-operative movement in intensifying agricultural production, in mobilising local manpower and other resources and, generally, in rebuilding the rural economy. The Council considered that for the development of co-operation as a peoples' movement, it was essential that co-operatives should be organised on the basis of the village community as the primary unit, and that responsibility and initiative for social and economic development at the village level should be placed fully on the village co-operative and the village panchayat. The Council recommended that in the light of this general approach, all States should take steps to review their present programmes of co-operative development and formulate fresh programmes to be implemented during the next two years. It recognised that conditions differ in different parts of the country and that will be necessary for each State, according to its conditions to organise the development of co-operative movement along lines set out in this Resolution during the course of the next few years.

2. In a rural co-operative, the member should have intimate knowledge of one another as well as a sense of mutual obligation and concern for the rehabilitation of the weaker sections of the community. By working together for the common objective of raising the standard of living of all sections of the population, the community develops social cohesion and unity. Where villages are too small, with the consent of the communities concerned, it will be convenient to form them into larger groups with a population of about 1000. As a rule, the co-operative and the panchayat should serve identical areas. These institutions should be given assistance and guidance, but care must be taken to see that they develop through the support of the people by undertaking constructive programmes for the benefit of the people and with their free participation. The aim should be to ensure that every family is represented in the village co-operative. It is one of the main purposes of co-operation to assist those who do not obtain credit under the ordinary banking principles. The greatest attention should, therefore, be given to ensure that the co-operative society at present, are enabled to share fully in its benefits and obligations in their own right.

3. Increased agricultural production calls for a number of specific measures. These include the full use of irrigation facilities available, application of improved agricultural techniques, especially the multiplication of improved varieties of seed at the village level and the production in every village of organic and green manures, and the adoption by each village community of techniques of dry farming, contour bunding, soil conservation etc. These and other programmes should be carried out through

the village co-operative in which every family is represented. Thus, the responsibility for maintaining field channels should be placed on the village community. The co-operative should make permanent arrangements in the village for producing the seeds and organic and green manures needed, arrange for the supply of these in kind to persons who can not pay for them in advance, recoveries being made after harvest. It should arrange for the distribution of fertilizers received for the village and for their supply to small holders on credit in the first instance. The cooperative should lay special stress on animal husbandry programmes. It should also promote programmes supplementary to agriculture, consolidation of holdings and other works of benefit to the community.

4. Village societies should be federated through Unions. They should also become members of marketing societies serving their areas of operation.

5. The National Development Council considers that the co-operative movement should be developed so as to bring within its fold all rural families before the end of the Third Five Year Plan. For the remaining period of the Second Five Year Plan, the Council suggests that State Governments should formulate intensive programmes on the basis of the following broad national targets. The conference of Development Commissioners held at Mussoorie in April 1957 recommended a minimum programme for co-operation which aimed at bringing 50 percent of agricultural families into the movement during the intensive stage of community development and 75 percent subsequently. A programme for the revitalization of existing small co-operative societies was introduced during 1957-58. The National Development Council recommends that State Governments should make special efforts to revitalize existing agricultural co-operative societies so as to increase their membership from the present level of about 9 to 10 million to about 15 million by the end of the Second Plan. The greater part of this increase in membership will be achieved by intensifying the work of these societies in the village served by them. There are, however, villages which are at present not served by any co-operative society. In areas taken up under the community development programme, as a matter of first priority, co-operative societies should now be established in such villages. Each State Government should endeavour to ensure that before the completion of the first stage of the community development programme in any block, all villages have the necessary co-operative and village institutions. The programmes for the revitalization and expansion of existing societies and for setting up new societies in community development areas and elsewhere should together help to raise the membership of agricultural co-operatives to a total of about 20 million by the end of the current Plan. This will involve a doubling of the present membership.

6. The Second Five Year Plan visualizes that credit to the extent of Rs. 225 crores should be made available through co-operative agencies, Rs. 150 crores by way of short-term loan and Rs. 75 crores by way of medium and long term loans. For the new programmes now envisaged, credit requirements are likely to be larger. For providing these the National Development Council suggests that suitable arrangements should be worked out in the near future in consultation with the Reserve Bank of India. In the provision of credit, special attention must be given to facilities for the grant of crop loans. The National Development Council considers it essential that in each district and development block, the grant of credit through co-operative agencies should be closely linked with programmes for increasing agricultural production and for marketing. As arrangements are developed along these lines, steps should be taken to review the existing credit limits so as to facilitate the expansion of agricultural credit.

7. An essential objective of the co-operative movement is the inculcation of the habit of thrift and saving. In each area, within a specified period, or according to a programme worked out by the co-operatives, the effort should be to meet all the credit needs of their members. In the national savings movement co-operatives should function as primary agencies in rural areas.

8. In the course of the Second Five Year Plan, it is proposed to set up 1,900 primary marketing societies. It is expected that when this programme is carried out most of the mandi areas in the country will be served. The National Development Council attaches much importance to the development of these co-operative marketing societies as they will assist in the stabilization of prices. For setting up these societies there should be careful surveys of the potential for increased production in each area and estimates of marketable surplus. Hitherto, even in areas in which marketing societies have been organized, their coverage has been small and restricted. By linking marketing societies with village societies and using the latter as agencies for collection and sale at assured prices at the village level, it will be possible not only to obtain larger supplies of foodgrains for meeting the needs of urban areas but also to expend greatly the credit facilities available for rural areas. The programme for co-operative processing, which is already under way, should also be enlarged, in particular, in relation to the processing of food crops.

9. To ensure the success of co-operative development programmes on the scale here visualized, training programmes should be organized for village leaders who work on village panchayats and co-operatives, for teachers in village schools, and for young men in rural areas who can serve as secretaries of village institutions. It is also necessary to expand training programmes for personnel serving in co-operative departments and to organize refresher courses for village level workers and other

extension workers. Existing Co-operative Departments in the States are not adequately equipped in field personnel and at the higher levels for organizing a large programme of co-operative development. The National Development Council hopes that all States will take early steps to strengthen these Departments and to bring into the field of co-operation a larger number of competent and experienced persons, both non-officials and officials. State Governments should make it a point to draw an increasing number of non-official workers for honorary service, so that co-operatives retain their dynamism.

10. The central and State Governments have been engaged in considering measures for simplifying the present procedures for registration of co-operative societies, grant of loans and management of co-operatives. Many of the existing procedures impede the development of co-operation as a popular movement in which small groups and communities can function freely and organize their work and activities along co-operative lines without excessive official interference and red tape. The restrictive features of the existing co-operative legislation should be removed and both the present co-operative laws and the model legislation and rules which have been under the consideration of States should be modified in accordance with the approach outlined in this Resolution. It is also essential that by making taccavi loans and other facilities available to individuals through co-operatives, conditions should be created in which every peasant and rural worker will find it to his advantage to join the village co-operative. The National Development Council trusts that State Governments will take early steps to introduce radical changes in procedures so as to facilitate the growth of the co-operative movement.

11. The National Development Council believes that through the development of cooperatives based on the values of freedom and community responsibility and organized as a national movement the creative energies of the people will be released for the tasks of national reconstruction.